

**SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416**

BILL NUMBER:

S-1550

DATE OF INTRODUCTION:

April 7, 2008

SPONSOR:

Senator Baroni

DATE OF RECOMMENDATION:

June 12, 2008

IDENTICAL BILL:

COMMITTEE:

Senate Transportation Committee

DESCRIPTION:

The Bill provides an exemption from sales tax on the purchase of new hybrid motor vehicles and new motor vehicles with an average fuel economy of at least 35 miles per gallon.

ANALYSIS:

This Bill proposes to amend the Sales and Use Tax Act (N.J.S.A. 54:32B-1 et. seq.) to provide an exemption for the sale of new hybrid vehicles and motor vehicles with a highway miles-per-gallon fuel efficiency rating of 35 or higher. Currently, the law allows for an exemption for zero emission vehicles which are vehicles certified pursuant to the California Air Resources Board zero emission standards for the model year. *See* N.J.S.A. 54:32B-8.55.

A sales tax exemption for sales of fuel efficient motor vehicles could open the door for similar tax exemptions on devices the use of which may also be viewed as good for the environment. Generally, the Commission does not support the use of tax policy as a means of influencing consumers' purchasing decisions and other behavior, even though the behaviors promoted might be beneficial to the State. Additionally, the exemption would further alter the broad-based nature of the sales and use tax.

Loss of revenue to the State on big-ticket items, such as automobiles, is substantial. Particularly now, as the State is experiencing a budgetary crisis, the Commission cannot not support of passage of this Bill.

RECOMMENDATION:

The Commission does not recommends enactment of this Bill.

COMMISSION MEMBERS FOR PROPOSAL: 0

COMMISSION MEMBERS AGAINST PROPOSAL: 4

COMMISSION MEMBERS ABSTAINING: 1